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FISCAL IMPACT STATEMENT

LS 6373

BILL NUMBER: HB 1367

NOTE PREPARED: Feb 22, 2010

BILL AMENDED: Feb 22, 2010

SUBJECT: Education Matters

FIRST AUTHOR: Rep. Porter

FIRST SPONSOR: Sen. Kenley

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Health Insurance:* This bill provides that the requirement that if a school corporation elects to provide coverage under a state employee health plan, it must provide coverage for all active and retired employees under the state employee health plan does not apply to individuals who retire from the school corporation before July 1, 2010. It specifies that the requirement that a school corporation must, when paying for coverage under the state employee health plan, pay an amount not more than the amount paid by the state for coverage of state employees under the plan does not apply to contractual commitments made by a school corporation to individuals who retire before July 1, 2010.

Annual Report: The bill requires additional information concerning ISTEP performance and student retention be included on a school corporation's annual performance report.

Remediation: The bill requires schools to give priority in the allocation of resources to remediation programs to students who are deficient in reading skills in kindergarten through Grade 3.

Reading Skills: The bill requires the State Superintendent of Public Instruction in conjunction with the State Board of Education to develop a plan to improve reading skills of students. It provides that the plan must include reading skill standards for Grade 3, an emphasis on a method for making determinant evaluations by Grade 3 that might require remedial action for the student, including retention, if reading skills are below the standard, and a determination for each component of the plan of whether the component will increase costs to the state or a school corporation or require the state or school corporation to reallocate resources. The bill requires that for any component of the plan that has a fiscal impact, the State Superintendent must present those components of the plan to the General Assembly to determine the amount of any appropriation in the state budget for the state fiscal years beginning in 2011 and 2012. It provides that to the extent a

component of the plan does not have a fiscal impact, that component of the plan may be implemented after the State Board holds a public hearing at which there is full public discussion and review by the State Board. The bill permits the State Board to adopt rules to carry out the plan.

School Calendar: The bill prohibits public schools and accredited nonpublic schools from beginning student instructional days for the school year before the Tuesday after the first Monday in September (Labor Day) and from ending after June 10 of the following year, beginning with the 2012-2013 school year. It provides that a governing body may establish an end date for a school year that is later than June 10 following a public hearing and a majority vote of the governing body. The bill makes an exception for year-round schools, schools with balanced calendars, and schools that coordinate calendars with a postsecondary educational institution following a public hearing and a majority vote of the governing body. It makes the change effective for collective bargaining agreements and contracts negotiated after June 30, 2012.

School Fund Transfer: The bill allows the governing body of a school corporation to adopt a resolution to transfer money during the 2010-2011 school year from its capital projects fund if no employees of the school corporation will receive a compensation increase for the 2010-2011 school year, excluding certain incidental or automatic increases, certain reimbursements to teachers for completion of professional education development courses, and a compensation increase paid to a teacher as a result of the teacher receiving an advanced higher education degree.. It provides that the maximum amount that may be transferred from a school corporation's capital projects fund is equal to 10% of the sum of: (1) the balance in the school corporation's capital projects fund on December 31, 2009; plus (2) the amount of the school corporation's property tax levy for its capital projects fund for taxes first due and payable in 2010. The bill also provides that the governing body of a school corporation and an exclusive representative may mutually agree to forego any salary or compensation increases that would otherwise be required for the 2010-2011 school year under the statutes concerning minimum teacher pay.

Emergency Measures to Maintain Instruction and Learning Programs: The bill requires school corporations to adopt a plan to take the actions necessary and desirable to preserve and protect instructional programs. It provides that the plan must address class sizes, curriculum or program offerings, certificated employee positions and teaching assistants, allocation of resources to students who are deficient in reading skills, and limitations on employee and administrative salaries and other compensation.

Effective Date: Upon Passage; July 1, 2010; July 1, 2012.

Explanation of State Expenditures: *Annual Report:* The bill requires that the annual report submitted by a school to the Department of Education (DOE) after July 1, 2012, and placed on their website to include program test scores for the reading portion of ISTEP and information on student retention in Grades K-10. The provision could have some minor impact if the current website needed modification, but the impact is probably minor.

Remediation: The provision requiring priority in the allocation of remediation resources to programs for students who are deficient in reading skills in kindergarten through Grade 3 should not have any fiscal impact. This provision would reallocate existing appropriations.

(Revised) *Reading Skills:* The State Superintendent of Public Instruction in conjunction with the State Board of Education should be able to develop a plan to improve reading skills of students within existing resources. If the plan has a fiscal impact, then it has to be presented to the legislature during the budget process. In determining if a component has a fiscal impact, consideration has to be given to whether the component will

increase costs to the state or a school corporation or require the state or school corporation to reallocate resources.

(Revised) *School Calendar*: The provision changing the start and ending dates of the school year should have no impact on state expenditures. Schools would still be required to have at least 180 days of instruction per year.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *School Funds Transfer*: The bill allows qualifying schools to transfer up to 10% of capital projects fund or transportation fund prior year-end cash balances and current year property tax levy from their school capital projects fund or transportation fund to another fund. To qualify for the transfer, the school employees would not receive a general compensation increase for the 2010-11 school year. The impact would depend on whether a school chooses to make the transfer from these funds and the amount of money available for transfer. For CY 2009, there would have been about \$114.5 M available for transfer from the capital projects fund and \$61.1 M available from the transportation fund.

Schools are required to report to the Department of Education within three months after the end of the year. The information is to include:

1. The purpose of the transfer.
2. The funds involved in the transfer.
3. The amount transferred between the funds.
4. The impact of the transfer to the programs that were supported by the fund from which the transfer is made.

Any increase in expenditures is probably minor.

Emergency Measures to Maintain Instruction and Learning Programs: Schools are required to adopt a plan describing the actions that are necessary and desirable to preserve and protect instructional programs, including class sizes, curriculum or program offerings, allocation of resources to students who are deficient in reading skills, limitations on employee and administrative salaries and other compensation, and certified employee positions and teaching assistants.

Annual Report: Schools could incur some additional costs by having the annual report include ISTEP test scores by subject and student retention information for kindergarten through Grade 10, but the impact is probably minor. The reporting requirement is effective after July 1, 2012.

Remediation: The bill could shift some remediation funding that is currently used in Grades 4 through 12 to Grades K-3.

Health Insurance: The provisions not requiring a school employee who retired before July 1, 2010, to be included in the state health insurance plan and pay at least the premium as a retired state employee, if the school elects coverage in the state health insurance plan, could allow some schools to elect for state coverage and therefore reduce possible health insurance expenditures.

(Revised) *School Calendar*: There could be some impact on schools depending on how the school structures the calendar. The number of teacher contract days are not changed by the bill. Schools would still operate the same number of days. There could be some reduction in heating and cooling costs depending on when

school is held. For CY 2008, schools spent about \$150 M on heating and cooling of schools.

Explanation of Local Revenues:

State Agencies Affected: Department of Education; Budget Agency.

Local Agencies Affected: Local schools

Information Sources: Department of Education Databases.

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